REVENUE IMPACT OF PROPOSED LEGISLATION

Seventy-Seventh Oregon Legislative Assembly
2013 Regular Session
Legislative Revenue Office

Bill Number: HB 2894 - MRC
Revenue Area: Income Taxes
Economist: Chris Allanach
Date: 6/13/2013

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description: Exempts residential electricity consumers from paying the Public Purpose Charge if they receive financial assistance from the state or federal government. Increases the cap on certified facility costs for conservation projects that are eligible for the informational filing system (rather than the certification process) from $20,000 to $50,000. Adds the acquisition of alternative fuel vehicle fleets to the definition of transportation projects. The change to the conservation credit applies to tax years beginning on or after January 1, 2014. The change to the transportation credit applies to tax years beginning on or after January 1, 2015.

Revenue Impact ($ Millions):

	Fiscal Year			Biennium		
	2013-14	2014-15		2013-15	2015-17	2017-19
Public Purpose Charge	**-$19**	**-$26**		**-$45**	**-$53**	**-$55**

Impact Explanation: The estimated revenue loss is due to the exemption from the Public Purpose Charge. While the bill would create an exemption for residential consumers who receive “financial assistance from the state or federal government”, there is no definition of “financial assistance”. Also, there is no indication as to the frequency and duration for the exemption (e.g., monthly or annually). While “financial assistance” could be interpreted broadly, this estimate is based on participation in the Supplemental Nutritional Assistance Program (SNAP) which, in May 2013, had roughly 440,000 participating Oregon households. And according to the 2010 decennial census, there are just over 1.5 million households in Oregon. Taken together, roughly 30 percent of households could be affected by this exemption. Assuming $175 million will be collected from the Public Purpose Charge in 2013-15 under current law (a 3% growth rate over historical collections), the exemption would reduce collections by $45 million (assuming an effective date of October 2013). The revenue loss would then increase to $53 million and $55 million in subsequent biennia, assuming electricity costs increase 3% each biennium and roughly 30 percent of household continue to qualify. There are other potential definitions of “financial assistance” that could change the estimated number of affected households, but a detailed definition is required to refine this number.

Due to the biennial caps in the two tax credit programs, the changes to the conservation and transportation tax credits could have an impact on the types of eligible projects, but will not change the total amount of tax credits that are expected to be issued.

Creates, Extends, or Expands Tax Expenditure: Yes ☐ No ☒

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